
Ruark reports results of first FIA mortality study

By Editorial Staff Wed, Oct 12, 2016

The study covered 11 million contract years of data and 165,000 deaths from thirteen participating FIA issuers.

Owners of fixed indexed annuity (FIA) with guaranteed lifetime withdrawal benefits have about 20% lower mortality than owners of FIAs without living benefits. That was among the findings of Ruark Consulting's October 2016 FIA Industry Mortality Study.

The study, which included 11 million contract years of data and 165,000 deaths from thirteen participating FIA issuers, is the first mortality study of the FIA industry, according to a Ruark Consulting release.

In other findings from the study:

- FIA mortality experience is different. Similar to what we have seen in our variable annuity industry mortality studies since 2007, standard annuity mortality tables offer a poor fit to observed FIA experience, tending to understate mortality rates at both ends of the age spectrum. FIA mortality also varies widely across the companies participating in the study.
- Mortality also varies by duration, tax status, and contract size. FIA mortality increases gradually by contract duration, and is significantly lower for qualified contracts with and without GLWBs. However, significantly higher mortality is evident for large contracts.
- Caution is warranted amidst a changing regulatory landscape. The potential implementation of the "fiduciary rule" may affect the mix of qualified and non-qualified FIA business, and agent and policyholder behavior more broadly. Prudence suggests careful monitoring of experience results and more granular assumption development.

Companies participating in the study included:

- AIG Life & Retirement
- American Equity
- Athene
- EquiTrust
- Forethought
- Genworth
- Midland National
- Nationwide
- Pacific Life

- Phoenix
- Protective
- Security Benefit
- Voya

Ruark's FIA and VA industry studies include policyholder behavior such as surrenders, income utilization, mortality, and annuitizations, all of which help determine the long-term financial performance of those products. The study covered the period January 2007 through September 2015.

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